

## Longevity longevity longevity

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It doesn't matter how many times you say it, it still sounds the same and, to many people, it still doesn't mean anything. Longevity – it's a word that a few years back didn't seem to matter and it wasn't something that the baby boomer generation's parents had to worry about. But then, in those days, the summers were always hot, the winters bitterly cold and the working man had a final salary pension to rely on.

How things have changed. Longevity is now something that we all face and many will suffer from for the rest of their lives, yet still the vast majority are ignorant of what it means or how it will affect them.

Quite simply, longevity is nothing to worry about. The significant increases that it has seen, over the last fifty years in particular, is what delivers the killer blow. It's bigger than it used to be and it's apparently getting bigger by the month.

Increased longevity should be something to celebrate; we will, on average, live to be significantly older than our grandparents and parents. This aspect at least is seemingly seeping into the population's consciousness – we recently carried out some research that found that 65% of us expect to live to at least 85 years – but that's about as far as it goes. The same research also showed that 11% don't think they'll have enough savings to last beyond age 70. This in itself should set the alarm bells ringing; it suggests one in ten will 'enjoy' their last years in a cash free fight for survival - and that's the end of it. We also found that over a quarter of UK adults are not sure or haven't thought about whether they have enough money to last them through their retirement.

So, what can we do to close this 'longevity gap' – the difference between what the population have and what they will actually need in order to spend their longest holiday with some degree of financial comfort?

The Government (of no particular political colour) can't do much about it even if it wanted to. There is very little in the way of direct action that any government can deliver which will ease the issues; as a nation we simply can't afford it. Indirectly, there are a few things they can do, such as change legislation, keep inflation under control, provide stable economic conditions and encourage people to save. But there is little track record to suggest any sustained success in this area and certainly not enough to close the 'longevity gap'.

It falls to individuals. The very people who don't really know what longevity means and whom, even after it's explained to them, see it as something to worry about 'later'.

In the financial services industry, we've all been doing our bit for many years – encouraging people to save, extolling the virtues of equity backed investments for long term growth etc etc and all delivered in anticipation of a better retirement. There have been varying degrees of success in this over the years but, if nothing else most people do now accept that they're on their own as far as pension provision goes.

Now, with longevity raising its head, we face a new and bigger challenge – to convince people that sound financial planning doesn't stop at retirement. We all need to take an on-going interest in stretching our savings and managing investments until well into our retirement and, if we're capable, for the rest of our lives.

It paints a rather stark and depressing picture but it is an unfortunate truth that most of us face. For those whose retirement is still some way off, there is the prospect of having time to do something about it. For those that want to, or even worse have to retire now, is there anything they can do about it that will make a difference?

I think there is; the first and most important point is not to try and do it yourself but to seek some appropriate financial advice – a point which I'm sure all IFA's will echo. Right up to the point where an individual commits to a conventional annuity, there is probably something to be done to secure a better level of retirement income.

This might start with doing something about the Open Market Option that the vast majority of individuals are entitled to, but doing it via an adviser can open the prospect of options over and above a better or more appropriate annuity rate. All IFA's will know the vast difference between the best and worst rates available and an increasing number of clients do too but, for many, it will take an IFA to guide them through the process and terminology of jargon that our industry thrives on.

Then there are the other options, income withdrawal, impaired life annuities, with-profit annuities, invested annuities, flexible annuities (an increasing number of all these available with additional income on capital guarantees). The poor old client faces a bewildering array of possibilities they can't hope to fathom without professional advice; all this against a back-drop of increasing longevity, which they don't know or understand.

I may well be preaching to the converted in this piece, but I don't think that we can collectively ever do enough to push this point home. There are an increasing number of potential clients out there who could be seriously better off through their retirement if we can get this message through. The problem was there before the current market turmoil and deepening recession, but it's even more important

now with people facing retirement suffering, not only from their increasing longevity, but also the double whammy of depressed fund levels and worsening annuity rates.

To paraphrase an 80's advertising slogan: "Longevity: don't die of ignorance".

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### **Notes to editors**

#### **Source**

\* Opinium Research carried out an online poll of 2,226 British adults between 31 August and 2 September 2008. Results have been weighted to nationally representative criteria

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